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S E C R E T SECTION 01 OF 03 BISHKEK 001065

C O R R E C T E D C O P Y (SECURITY CLASSIFICATION CHANGED)

SIPDIS

STATE FOR SCA/CEN

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TAGS: [PGOV](#) [PREL](#) [KG](#)

SUBJECT: LUNCH WITH MAX: SOUP TO NUTS

REF: BISHKEK 1058

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Classified By: Ambassador Tatiana C. Gfoeller, for Reasons 1.4 (b) and (d).

¶1. (S) Summary: In a wide-ranging lunch, Maxim Bakiyev, son of President Bakiyev, and Kyrgyz FM Sarbaev argued that the \$20 million Economic Development Fund needs to be a new kind of assistance, targeted strategically toward the development of the country and its integration into the world economy. Bakiyev described Russian machinations against the U.S. and his own intelligence efforts against the Russians, complained about personal attacks on him by an organization connected to the National Democratic Institute, and stated that the Russians have not come through with the \$2 billion they had promised for the Kamburata 2 hydroelectric project. Bakiyev came across as very pro-U.S., well educated, and dedicated to the betterment of his country. Of course, we have information from many other sources suggesting that he is also very dedicated to his own advancement and corrupt financial interests. End Summary.

¶2. (SBU) Ambassador and DCM had lunch with Maxim Bakiyev, the son of President Bakiyev and Foreign Minister Kadyrbek Sarbaev on September 18, at the invitation of the Foreign Minister. Plov, Manti and other Central Asian delicacies were served at one of the guest houses on the Presidential compound. The tone of the hosts was extremely warm and friendly, and the conversation was open and wide ranging.

Russian Meddling

¶3. (C) Sarbaev and the Ambassador began with a short discussion of the delivery, the day before, of the Department of Defense check for \$250,000 to Marina Ivanova, the widow of the man killed in the Hatfield case. The Ambassador thanked Sarbaev for facilitating delivery of the check. Bakiyev noted that the Russians had played an unhelpful role with Mrs. Ivanova. He said they had met with her in July and tried to convince her to come out in the press again to denounce the U.S. and call again for the closing of the U.S. base. Kyrgyz officials had then met with her, he said, and convinced her that it was not in her interests to become a pawn in a fight between the U.S. and Russia.

¶4. (S) Bakiyev followed up by noting that the Russians play an unhelpful role in many issues. However, he said, "I have my own very good computer experts, and we are able to

intercept and read FSB communications." In that way, he said, they keep abreast of what the Russians are doing. He said that he had read intercepts from the FSB regarding his own efforts to put together a team of experts to study the needs of the country (further described in para 8 below). The Russians had concluded that the Americans must be behind the effort, as it was too well put together to be Kyrgyz, he said, commenting that the Russians are racist in their view of the Kyrgyz.

And Democracy Activists Meddling, Too

15. (C) There were also problematic people within Kyrgyzstan, Bakiyev said. Just a few months ago articles attacking him personally began appearing on the website compromat.ru. His computer people had been able to trace them back to "purported" democracy activist Tolekan Ismailova, director of the Human Rights Center "Citizens against Corruption" which receives grants from the National Democratic Institute of the U.S. (Ismailova was arrested and released on July 30, 2009 for protesting the presidential election.) Bakiyev was unaware of a major article in the Kyrgyz press that very morning which stated that he, Maxim Bakiyev, is the power behind the throne in Kyrgyzstan, and that he wields that power with the acquiescence and at the direction of the USG (via the CIA).

The Trips to the U.S., and the Elections

16. (U) The Ambassador and Sarbaev discussed the upcoming travel of the Prime Minister and Sarbaev himself to the U.S. for UNGA, consultations in Washington, and then Sarbaev's trip for discussions of the Annual Bilateral Consultations mechanism. Sarbaev noted that this is the first trip to the

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U.S. for the PM and that it is very important that it go well. Ambassador pointed out that the Kyrgyz delegation certainly must realize that U.S. concerns about human rights and democratization will be raised in many of the PM's meetings. He should be prepared to answer these questions in a positive and forthcoming manner. She also noted that slippage in the MCC indicators was also likely to be raised during the visit.

17. (U) Bakiyev picked up on the Ambassador's comments to state that the GOKG is very positive and proactive in its response to all these issues. It considers them to be very important. "When the OSCE criticized the presidential elections," he stated, "we asked them to be specific. What were the deficiencies? Which were the districts where fraud had taken place? We told them that we would annul the results from any polling stations where there had been fraud. We got no response from them."

Development, the EDF, and Thinking Strategic

18. (SBU) Bakiyev then broadened the subject by stating, in terms that echoed what the PM told the Ambassador this week (REFTEL), that they have brought together experts from many different fields to discuss what needs to be done in the country. Their desire to reform the institutions of Kyrgyzstan was reflected in Bakiyev's September 1 speech. However, he said, the country simply does not have the kind of economic expertise it needs in order to put together a real plan for development. That was what they hoped would come of the new \$20 million Economic Development Fund (EDF). They would like to have a high-powered economic consultancy come in, someone like Price Waterhouse, who could put together a study of Kyrgyzstan's place in the world economy and what the country needs to do to spur integration and development.

¶9. (SBU) Donor support, and especially USAID, brought these sorts of consultants to Kyrgyzstan in the early 1990s, Bakiyev said, but they were always focused narrowly on an already defined set of projects which were imported from abroad -- like privatization. There was never a study of Kyrgyzstan's potential and the barriers to development which took a look at what overall strategy the country should pursue and how to implement it. This was what they needed and wanted -- and the Kyrgyz themselves should be the ones to put together the questions which should be put to the consultants, since they knew their country best.

¶10. (SBU) Ambassador responded that the proposed structure of the fund, now on the Prime Minister's desk in the form of a Memorandum of Understanding, would allow the GOKG to propose just such a study, if that was what they believed was needed. Bakiyev reiterated that the need was to gain an understanding of the place Kyrgyzstan should occupy in the world economy and how to take advantage of its opportunities in order to develop. "We do not want this money for ourselves," he said, "but we want to ensure that it is not used in traditional, unhelpful, assistance projects, but instead in something that is really well thought through."

¶11. (SBU) Bakiyev noted that one of Kyrgyzstan's natural advantages was its hydroelectric power potential. He expressed support for CASAREM and bemoaned the delays in funding by the Asian Development Bank. Ambassador asked about the status of the Kamburata 2 hydro electric project. Bakiyev responded that the Russians had not yet come through with the promised loan of \$2 billion. He noted that the final cost of the project is not yet clear, given that construction would take about eight years and input prices are not stable.

Comment: Smart, Corrupt, and a Good Ally to Have

¶12. (C) Maxim Bakiyev is smart and well educated. He was able to discuss subjects ranging from early European history to economics without any strain at all. He is apparently a voracious reader, and said he is currently reading Greenspan's Age of Turbulence. According to many sources of widely varying credibility, he is also corrupt and benefiting economically from his father's power. Statements he made during this lunch suggest that he could still be an ally on issues important to the USG, ranging from his support for the

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Transit Center's continued operations to economic reform. It was interesting to note that, while the convener of this lunch was the Foreign QxMe,Qas2evQ talking points on the Economic Development Fund were very similar to those the Prime Minister used with the Ambassador this week. Clearly Bakiyev has influence and access through a broad swath of the government. While this is a relationship which must be cultivated carefully, we believe it is also a relationship which can pay important dividends for the USG.

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